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SUBJECT: ECONOMIC REPORT - SEPT 18 THROUGH SEPT 24

1. Summary. Prices are stable, with no inflation reported. Exchange rates continued to rise, with parallel markets trading at FC 400-420 per USD. The Australian firm, Anvil Mining, is seeking joint venture opportunities in the DRC. Banro Corporation plans to begin its gold exploration operations soon. A mine collapse in Katanga province killed two artisanal miners. The DRC and Angola signed a memorandum of understanding on joint offshore oil exploration. Italian truck manufacturer Iveco has resumed sales in the DRC. Civil servants in Mbuji-Mayi demonstrated to demand pay increases. The management committee of the Postal and Telecommunications Office (OCPT) was replaced per OCPT workers' demands. Recently renovated Regideso pumping facilities in Kisangani were pillaged. The World Bank granted the DRC USD 60 million in its most recent PMURR disbursement. End Summary.

#### MONETARY AND PRICE UPDATE

2. Prices are stable, with no inflation reported. Prices have stabilized after fluctuations in demand caused by the beginning of the school year. Monthly inflation is -0.9 percent.

3. Exchange rates continue to rise, with the official rate remaining above FC 400 per USD. Parallel rates nationwide are now hovering between FC 400-420 per USD. Low diamond sector activity, high international oil prices, and lump-sum GDRC salary payments are contributing to upward pressure on the exchange rate.

#### MINING

##### ANVIL MINING SEEKS JOINT VENTURE OPPORTUNITIES

4. International press reported that the Australian firm Anvil Mining Ltd. is seeking joint-venture opportunities in the DRC with the GDRC and private companies. The company is listed on the Australian Stock Exchange.

##### BANRO PLANS GOLD EXPLORATION

5. Banro Corporation, which holds four concessions on the Twangiza-Namoya gold belt, recently received USD 10 million in financing from private sources to begin exploration operations. According to Banro CEO Peter Cowley, the company plans to begin exploration immediately and hopes to have at least two mining sites in operation by the end of 2004. Banro holds a 100 percent interest in its four concessions via a renewable 25-year contract.

##### MINE COLLAPSE KILLS TWO

6. Local press reported that a collapse at the Kalukuluku mine in Katanga province killed two artisanal miners and injured several others. (Comment: Several recent collapses at mines in Katanga have stirred debate on mine safety and the protection of artisanal miners. End Comment.)

#### PETROLEUM

##### MEMORANDUM ON PETROLEUM EXPLORATION

7. The governments of the DRC and Angola signed a memorandum of understanding on offshore oil exploration in the lower Congo basin. The governments agreed to establish a maritime corridor for common exploration in which each country will have a 50 percent share.

#### BANKING

##### SMALL DENOMINATION BANKNOTES REFUSED

8. Local press reported that merchants in Kamkolobondo in Katanga province are refusing to accept FC 5 and FC 10 notes for payment in commercial transactions. The merchants are claiming that the notes are "inappropriate" due to their small value. Refusal to accept the small notes is having a strong effect on the local fishing industry, a main source of the town's food supply. The fishing industry conducts a large portion of its transactions with FC 5 and FC 10 notes.

## TRANSPORTATION

### IVECO RESUMES DRC SALES

19. Local press reported that Italian truck manufacturing corporation Iveco has relaunched its DRC operations after a decade of inactivity. The company, which once sold almost 600 vehicles per year, lost 90 percent of its assets in the 1991 pillage. Sales recently resumed with orders for 26 new trucks from Safricas, Socitrans, Saffois, Afritrans, et al. Iveco maintained a small staff in the DRC after 1991 despite their lack of sales. Customers have cited this as a factor in their choice to buy from Iveco. Afritrans director Nazim Rawji stated that "Iveco stayed in the DRC through difficult times. This explains our allegiance to the brand."

### LABOR

#### CIVIL SERVANTS DEMONSTRATE IN MBUJI-MAYI

110. Local press reported that approximately 1,200 civil servants demonstrated in the streets of Mbuji-Mayi to demand salary increases commensurate with their colleagues in Kinshasa. According to union representatives, the civil servants are planning to strike if their demands are not met by the GDRC.

### OCPT MANAGEMENT COMMITTEE REPLACED

111. The management committee of the Postal and Telecommunications Office (OCPT) has been replaced, per an interministerial decree issued by the Minister of Post and Telecommunication and the Minister of Portfolio. OCPT workers had been striking for several months, and demanded the committee's replacement. Workers accused the committee of mismanaging OCPT operations and withholding their salaries.

## INFRASTRUCTURE

### RENOVATED WATER FACILITIES PILLAGED

112. Recently renovated Regideso facilities at Kisangani were looted by soldiers from a nearby camp at Lukusa and local civilians. Refurbished equipment had been installed at the pumping facility by the ICRC several weeks ago.

## AID

### WORLD BANK GRANTS DRC USD 60 MILLION

113. In its most recent PMURR disbursement, the World Bank granted the DRC USD 60 million for projects relating to health, education, and food security. According to Social Fund (a GDRC body partially managing PMURR funds) Manager Finda Koroma, the money will be used to create income-generating opportunities for Congolese in rural areas.

### FRANCE DONATES 5 MILLION EUROS

114. International press reported that France agreed to donate 5 million euros in budgetary aid to the GDRC. The aid will be used to finance election preparations and debt servicing.

### 115. INFLATION BY CATEGORY (IN PERCENT)

WEEK ENDING	8/27	9/03	9/10	9/17
FOOD	7	0	-3	0
BEVERAGE	0	0	0	0
NON-FOOD	0	-1	-2	0
CLOTHING	0	0	0	0
RENT	0	0	0	0
TRANSPORT	0	0	0	0
SCHOOL COSTS	0	0	0	0
UTILITIES	0	0	0	0
COMBINED FIGURES				
WEEKLY INFLATION	2.6	0	-1	0.1
MONTHLY INFLATION	1.7	0	-1.1	-0.9

### 116. EXCHANGE RATE DEVELOPMENTS

	8/27	9/03	9/10	9/17
CENTRAL BANK RATE	392.045	396.014	401.688	403.634
PARALLEL MARKET				
-KINSHASA	390-395	390-395	400-405	400-410
-LUBUMBASHI	380-390	380-385	400-405	400-405
-MBUJI MAYI	385-395	385-390	400-405	400-405
-KISANGANI	380-390	380-390	400-410	410-420
-GOMA	400-410	400-410	410-415	410-420
-BUKAVU	400-410	400-410	410-415	410-420

